

The Impact of Immigration on the California Economy



A Report for the California
Regional Economies Project

Introduction

- The report looks at the economic and fiscal impact of immigration
- Who are California's immigrants?
- Major economic effects
- Major fiscal effects
- The impact of immigration will change over time AND depend on state policy choices

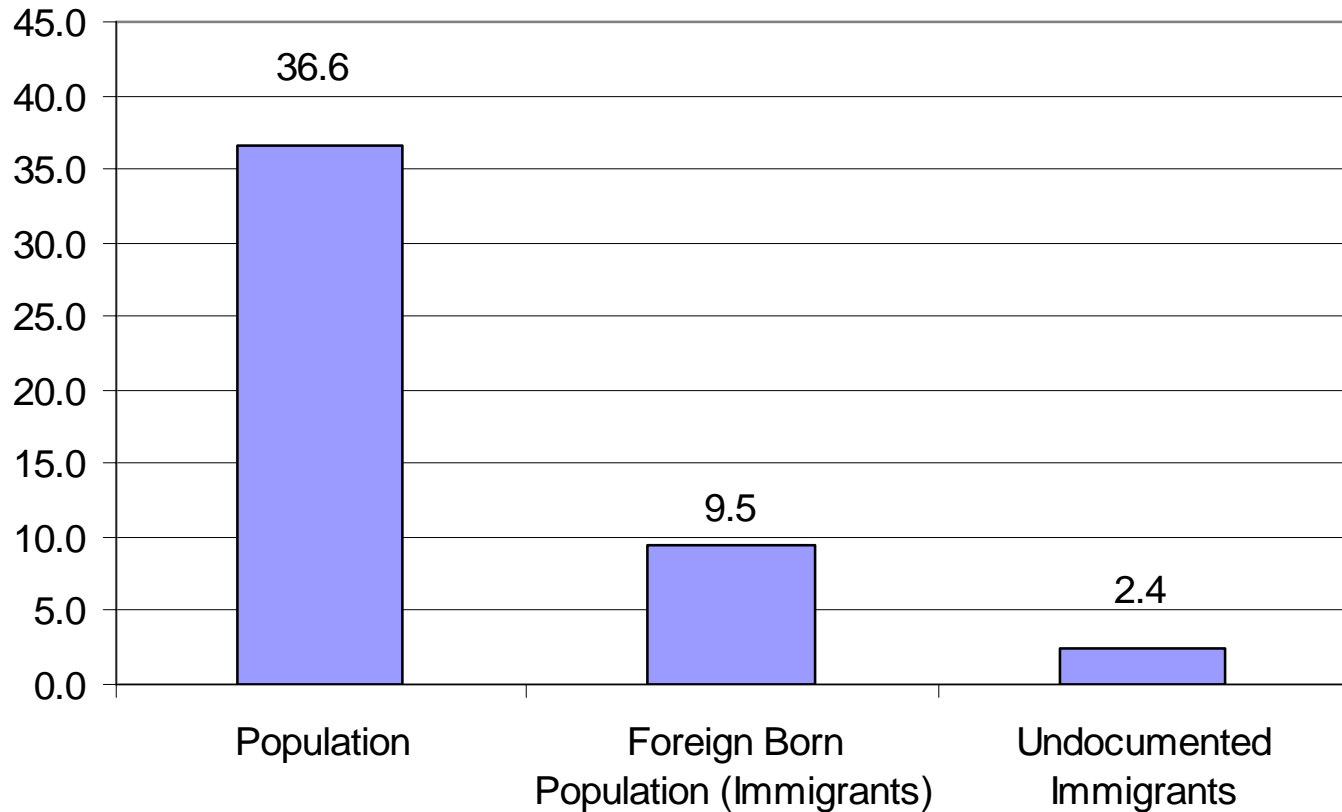
Much Prior Work to Build On

- National Academy of Sciences analyses and recommendations re economic and fiscal impact methodologies
- New immigration analyses by the Pew Hispanic Center and USC
- A decade of fiscal impact analyses and critiques
- Data on how the California economy performed 1990-2005

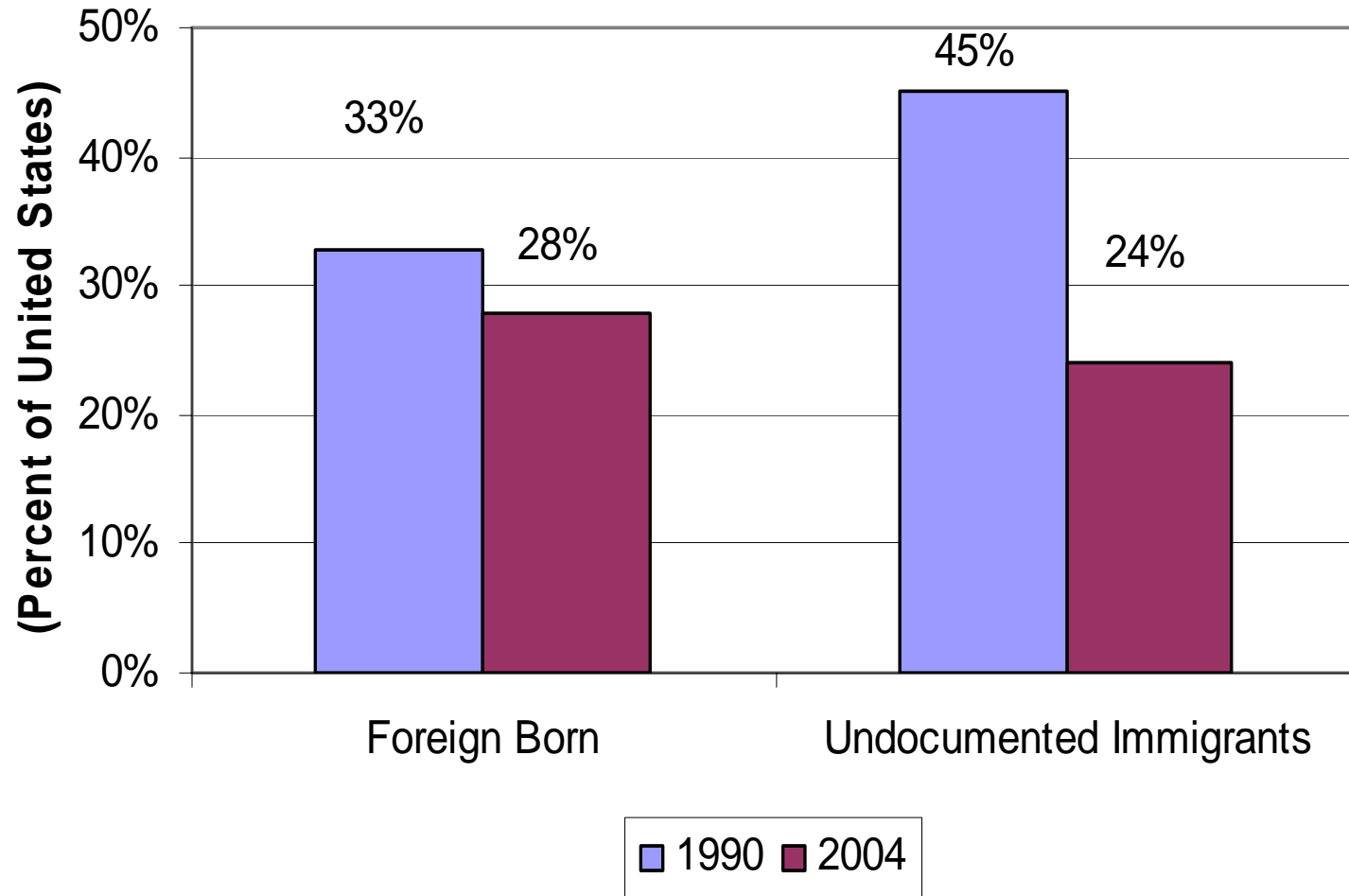
California's Immigrant Population

- 1 in 4 residents is foreign born; 7% are undocumented/unauthorized
- California's share of immigrants, legal and undocumented is falling
- Undocumented immigrants are more likely to have arrived within the past 10 years; more likely to be from Mexico/Central America; and more likely to have less education and lower income compared to native-born residents and legal immigrants

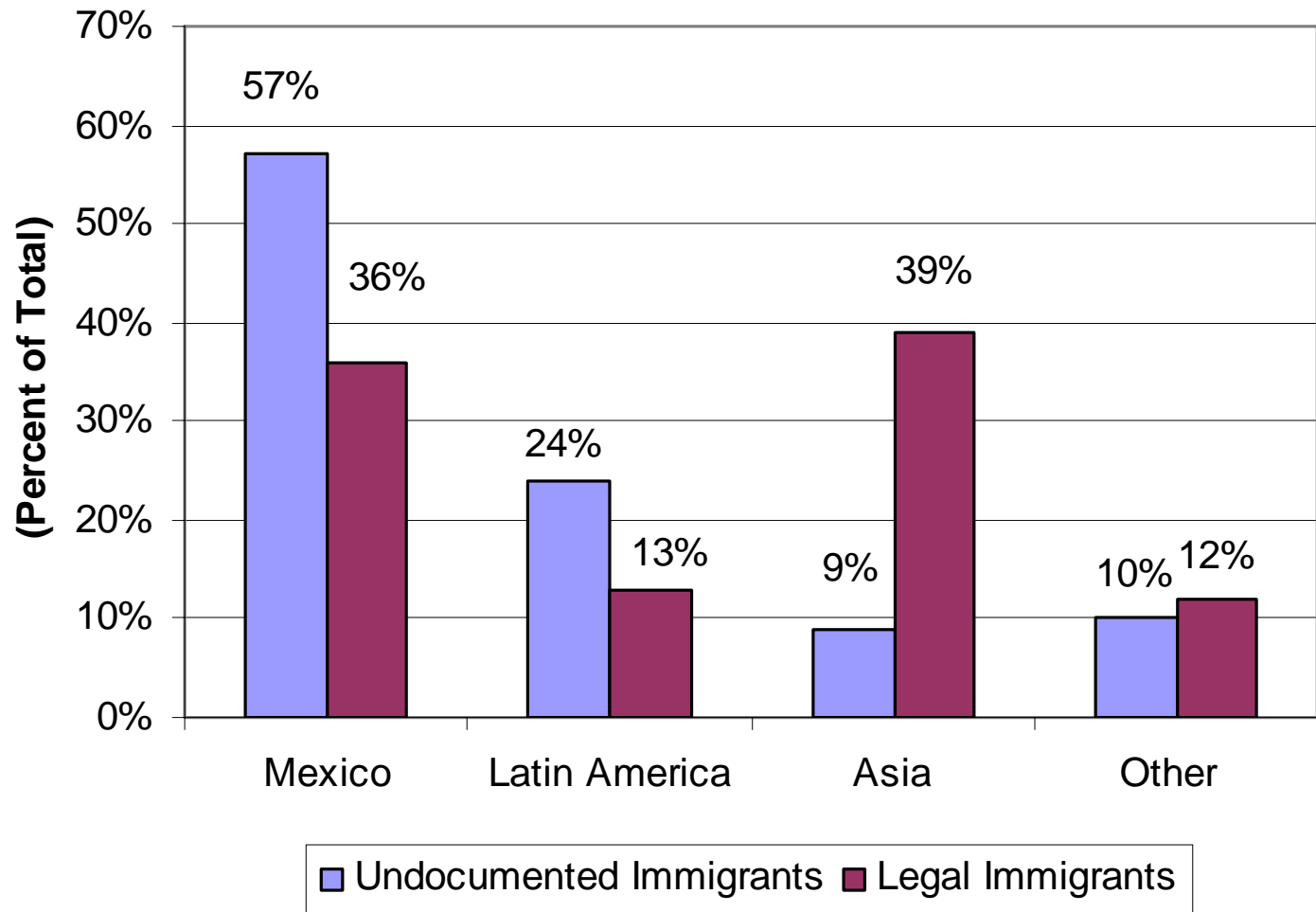
California Population (Millions)



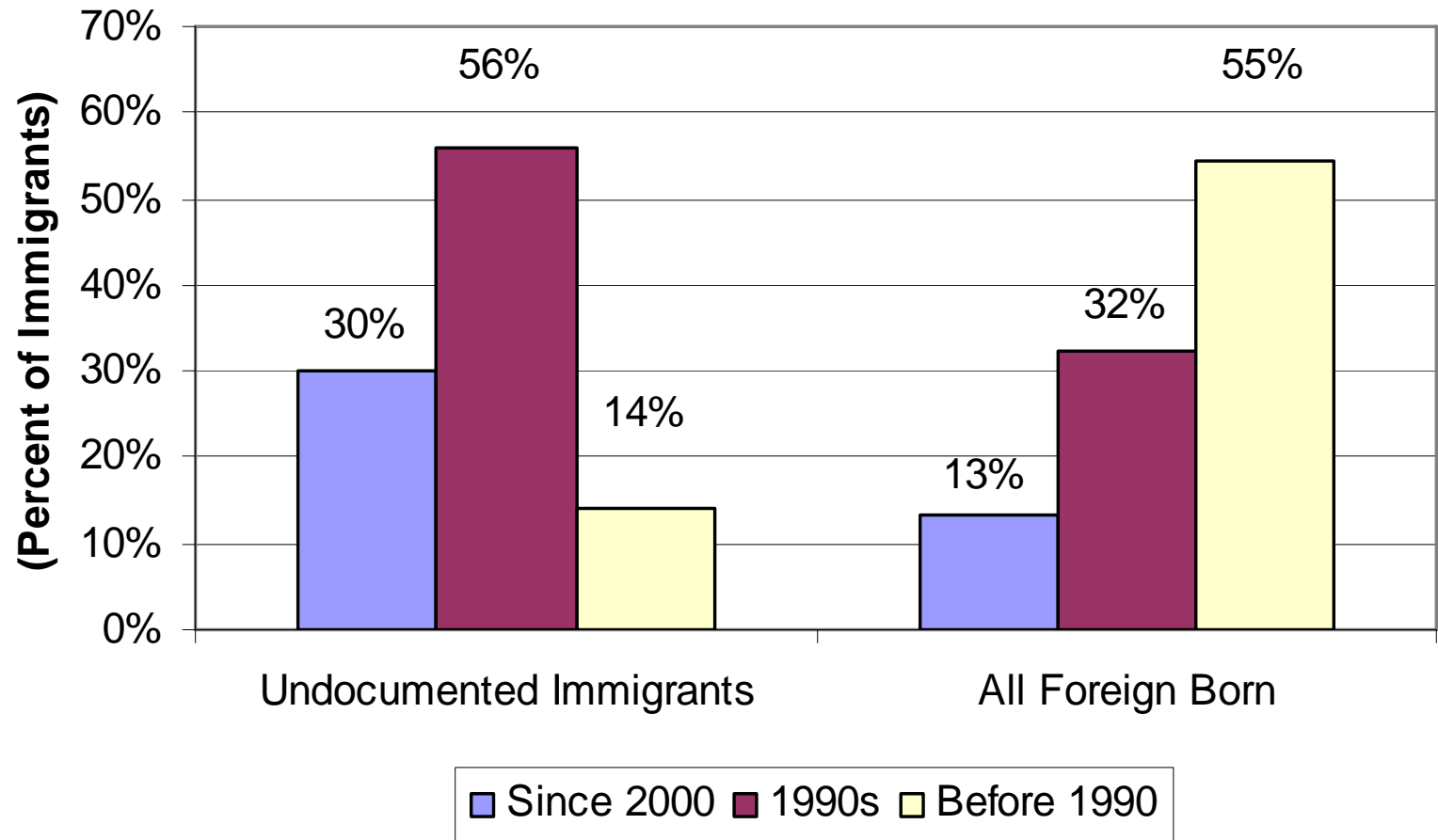
CA Share of U.S. Immigrants



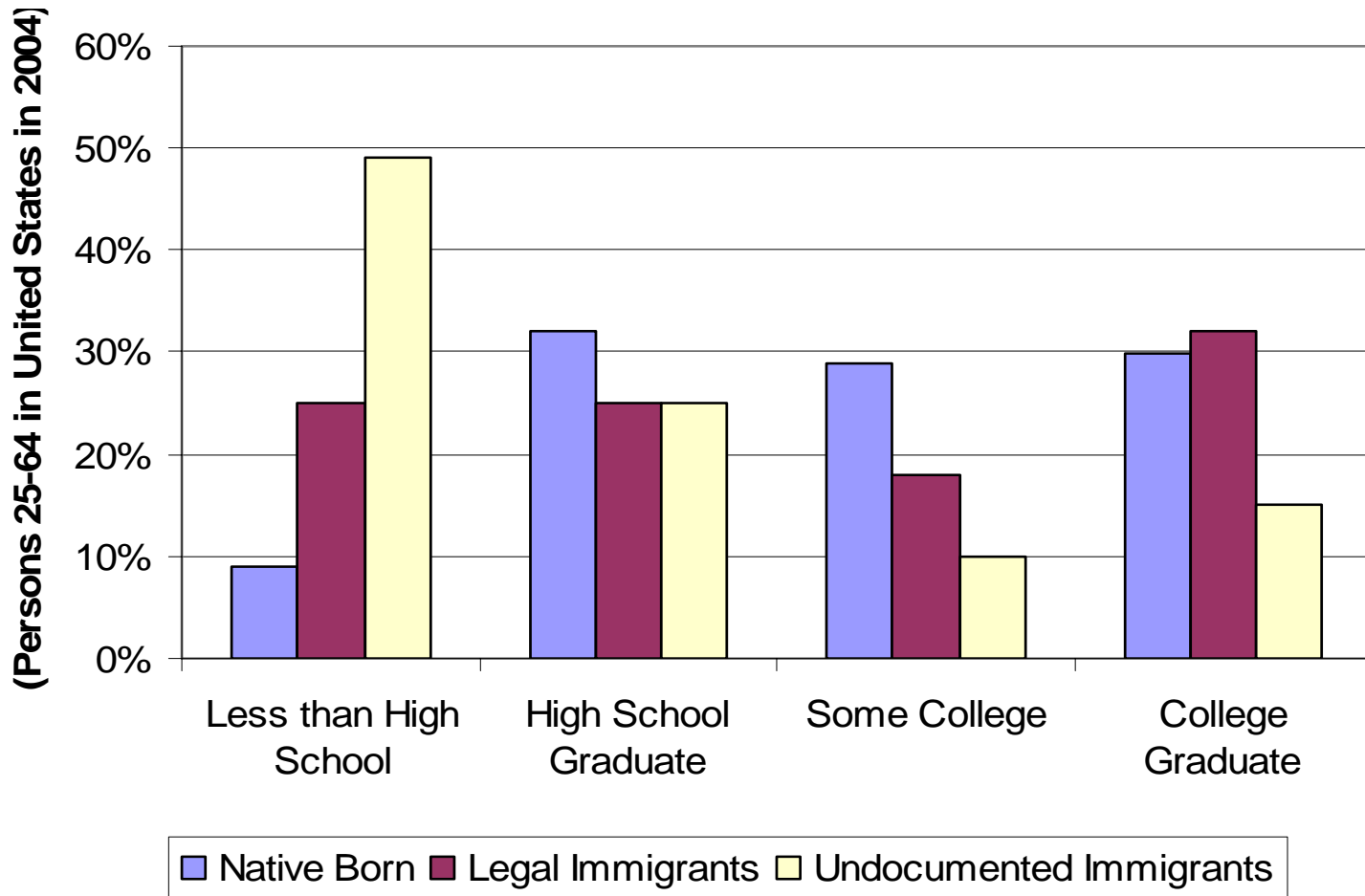
Origin of CA Immigrants



Date of Entry for CA Immigrants



Educational Attainment



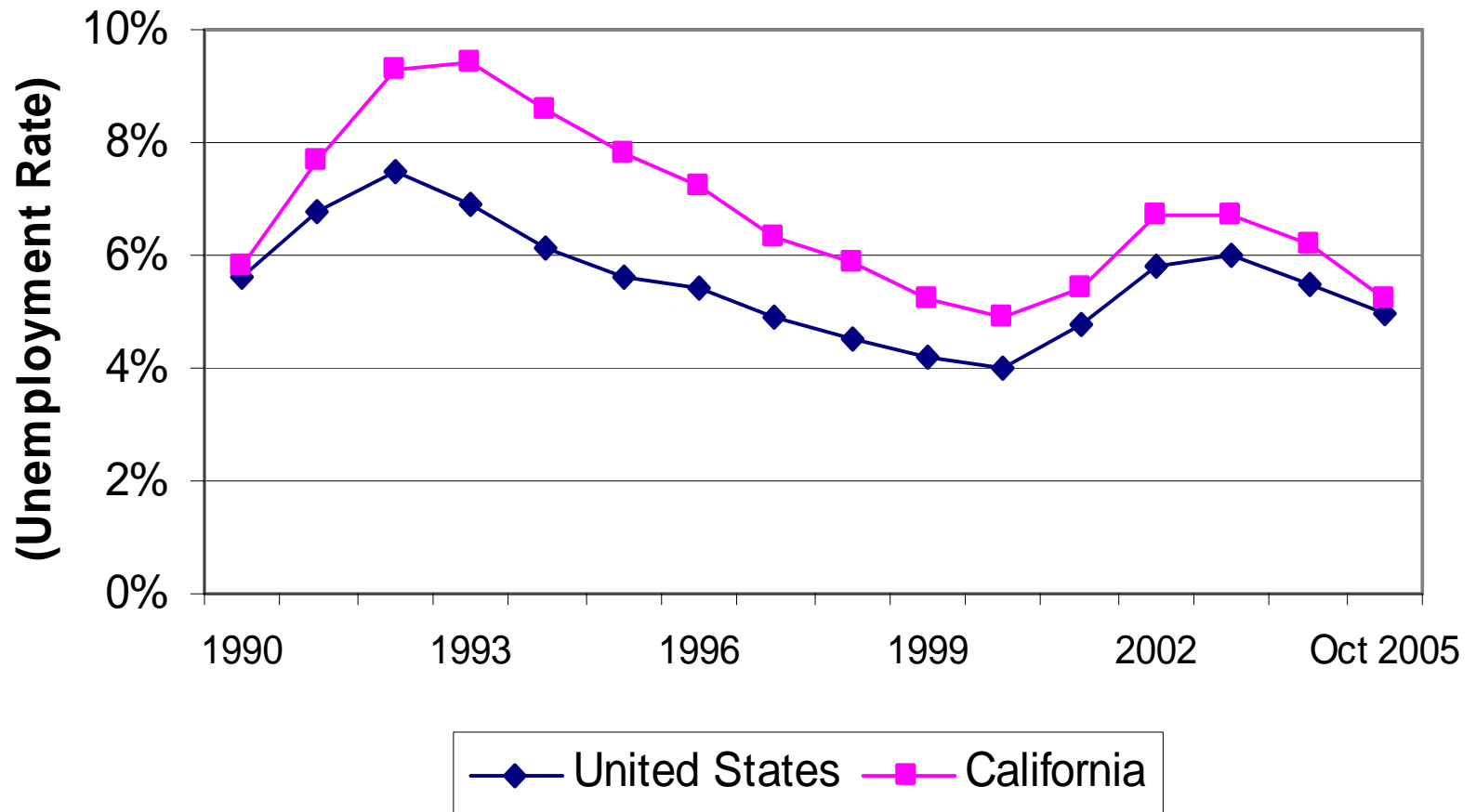
Economic Effects of Immigration

- Impact on the overall economy—jobs, wages, poverty
- Impact on individuals—the extent of wage and job loss
- Undocumented versus legal immigrants
- Do immigrants cause imbalances in the California economy?

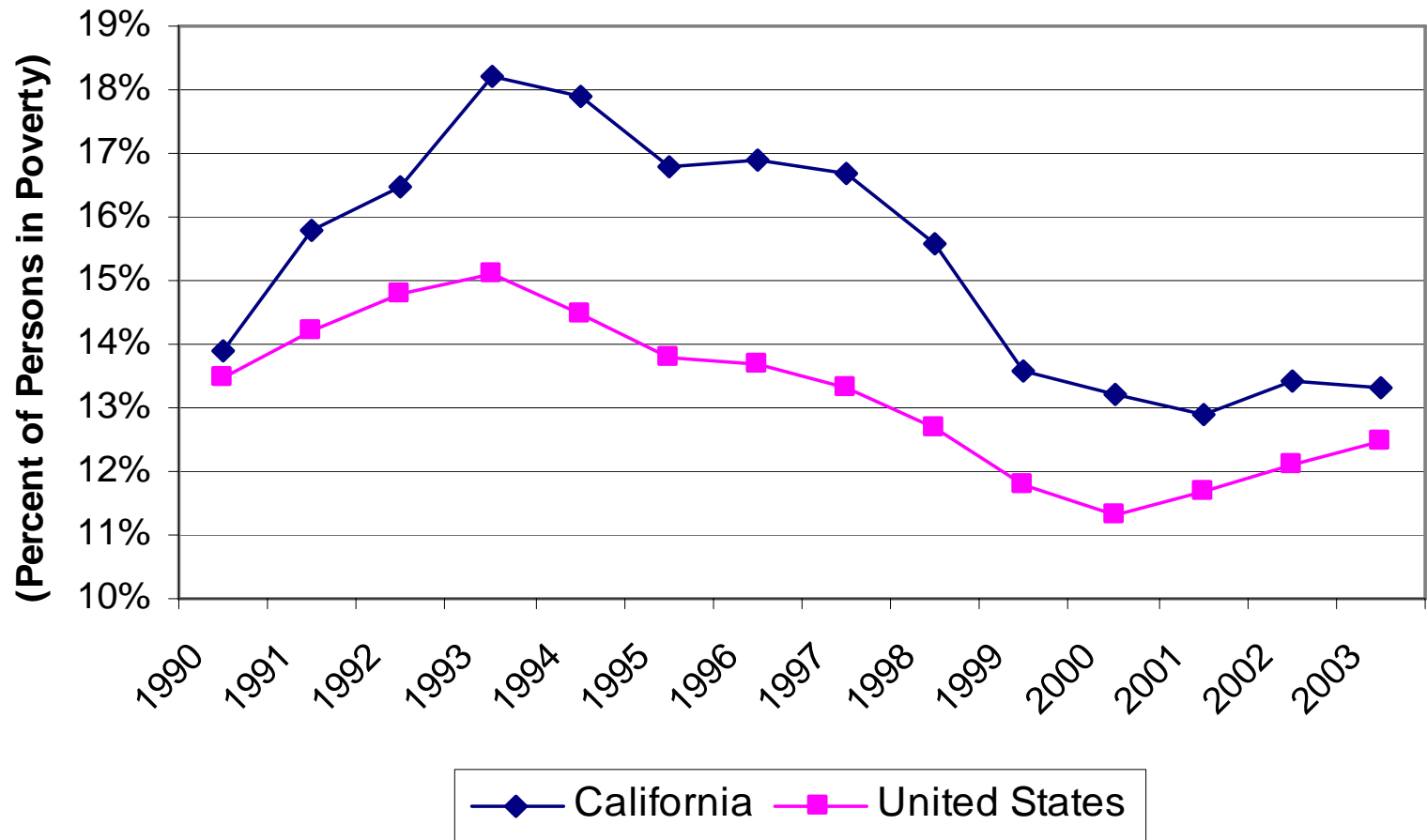
Impact on the Overall Economy

- Some immigrants bring high skills and entrepreneurial abilities
- Some immigrants bring lower skills and fill low-wage jobs
- Immigration provides net economic benefits although some individuals may suffer job or income losses
- No large imbalances occurred during the peak immigration surge

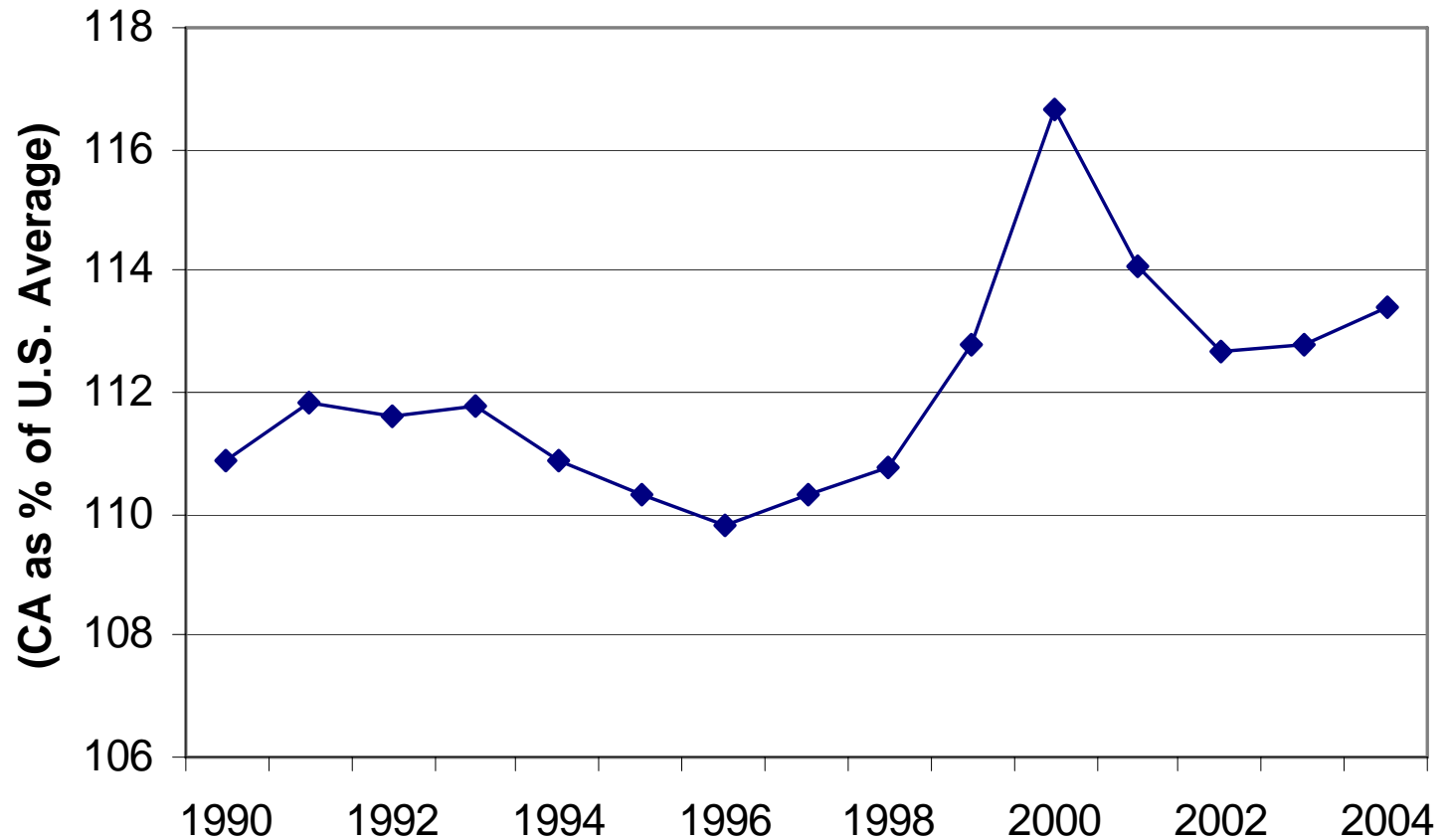
Unemployment Gap Narrows



Poverty Gap Narrowing

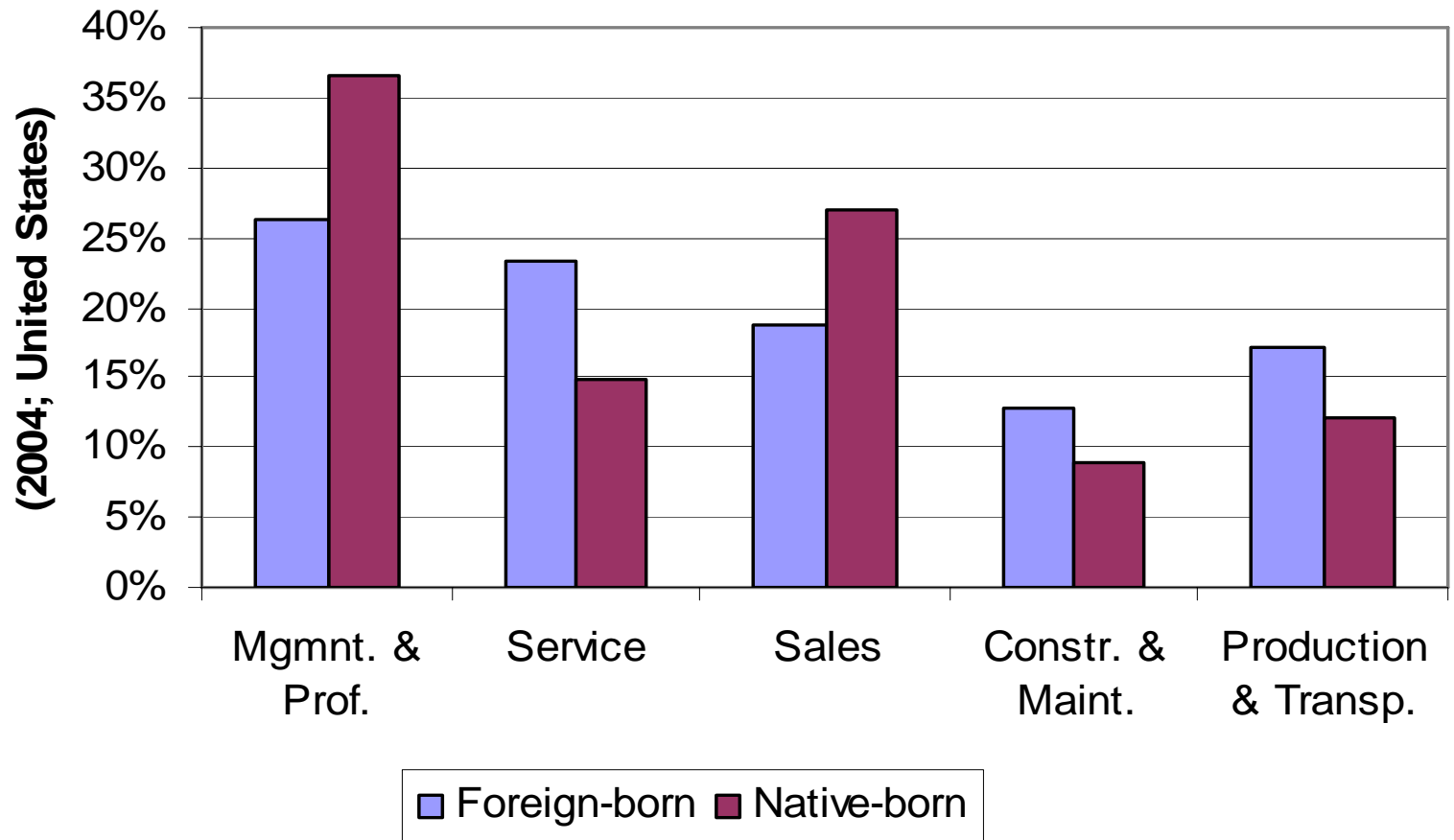


Wage Advantage Growing

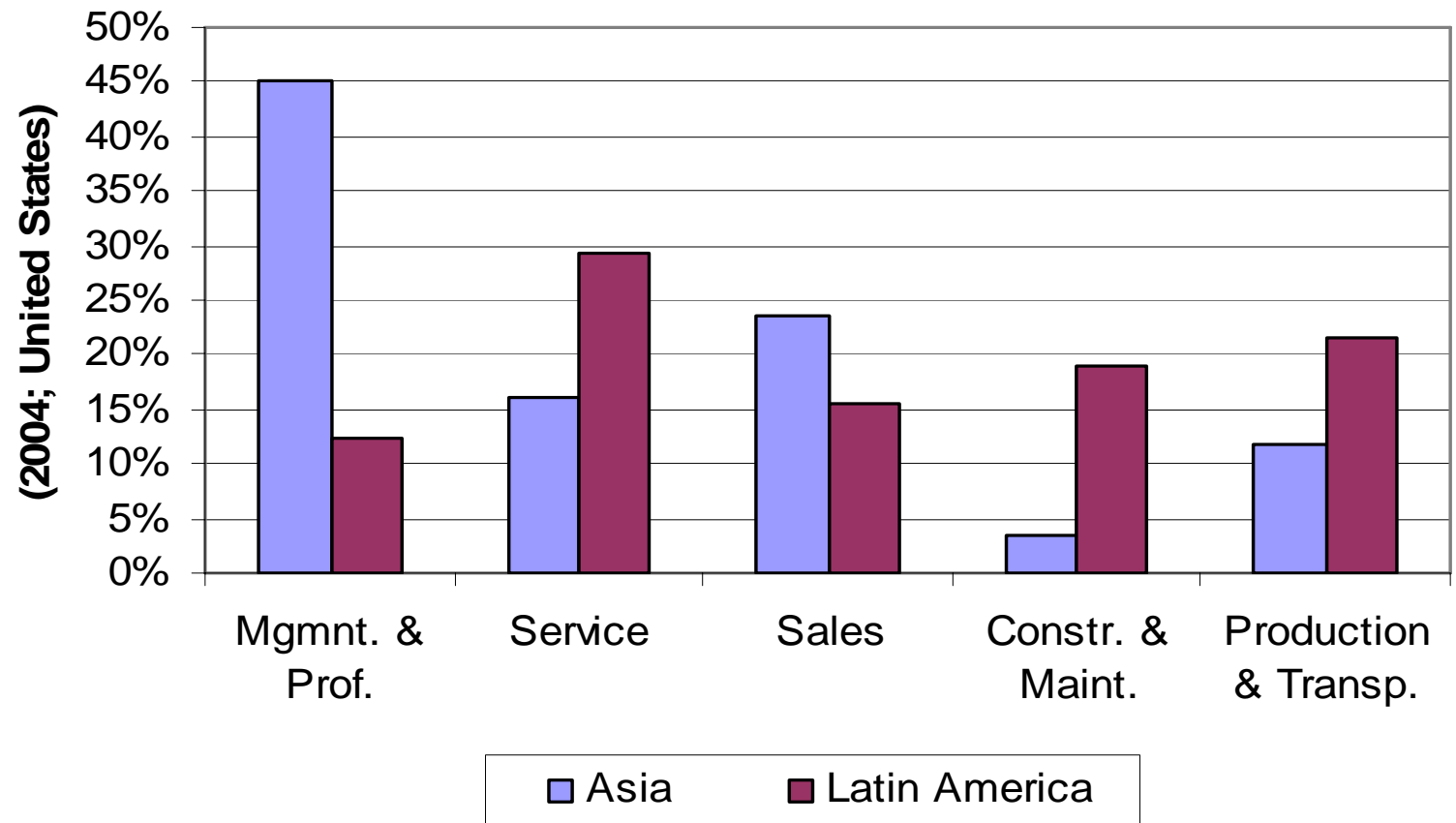


Are There Imbalances in the Workforce?

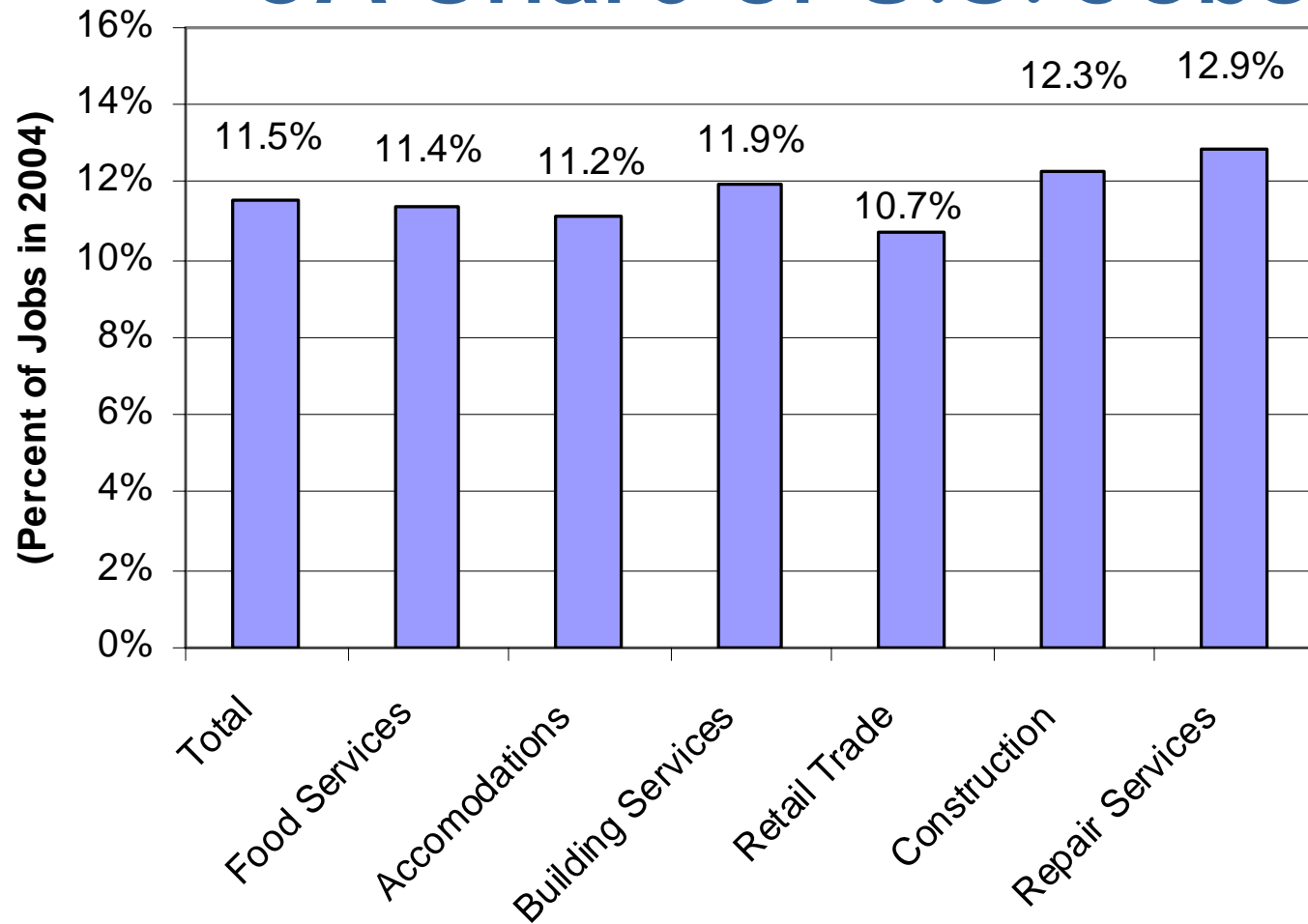
Workers by Occupation



Workers by Occupation



No Job Imbalances in CA Share of U.S. Jobs



Impact on Individual Workers

- Low-skilled undocumented immigrants compete with other low-skilled workers
- Many reviews of studies such as by the National Academy of Sciences and the 2005 Economic Report of the President find only minor adverse impacts on wages

Summary of Current Economic Impact of Immigration

- Overall economic benefits
- No major imbalances
- Slight negative impacts for some individual workers

Fiscal Impact of Immigration

- Current fiscal impact is negative
- The negative effects are for state and local governments
- The negative effects are highest in areas with a high concentration of recent immigrants
- Fiscal impact is more negative for unauthorized immigrants

Causes of Negative Fiscal Impact

- Immigrants as a group (particularly unauthorized immigrants) have below-average incomes
- Immigrants as a group (particularly unauthorized immigrants) have an above-average number of children
- Poor native-born families also create a negative fiscal impact at the state and local level

Flaws in Single-Period Fiscal Impact Analyses

- Fail to account for the long-term fiscal impact of immigrants
- Based on current age distribution where many immigrants and their children are young
- Treat education as a cost only and do not consider the return on investing in education

Long-Term Fiscal Impact of Immigrants

- A majority of recent immigrants are younger and less educated than the general population. They also have an above-average number of children
- The current fiscal impact of poor families with children is negative regardless of ethnicity or origin
- A complete analysis must assess long-term fiscal effects

Education as Cost or Investment

- Education is the major fiscal “cost” for immigrants
- There are long-term economic benefits of education, particularly for educating children who might otherwise fall through the cracks
- Poor families never cover the current costs of education
- Is investing to educate children from poor families good economic and social policy?

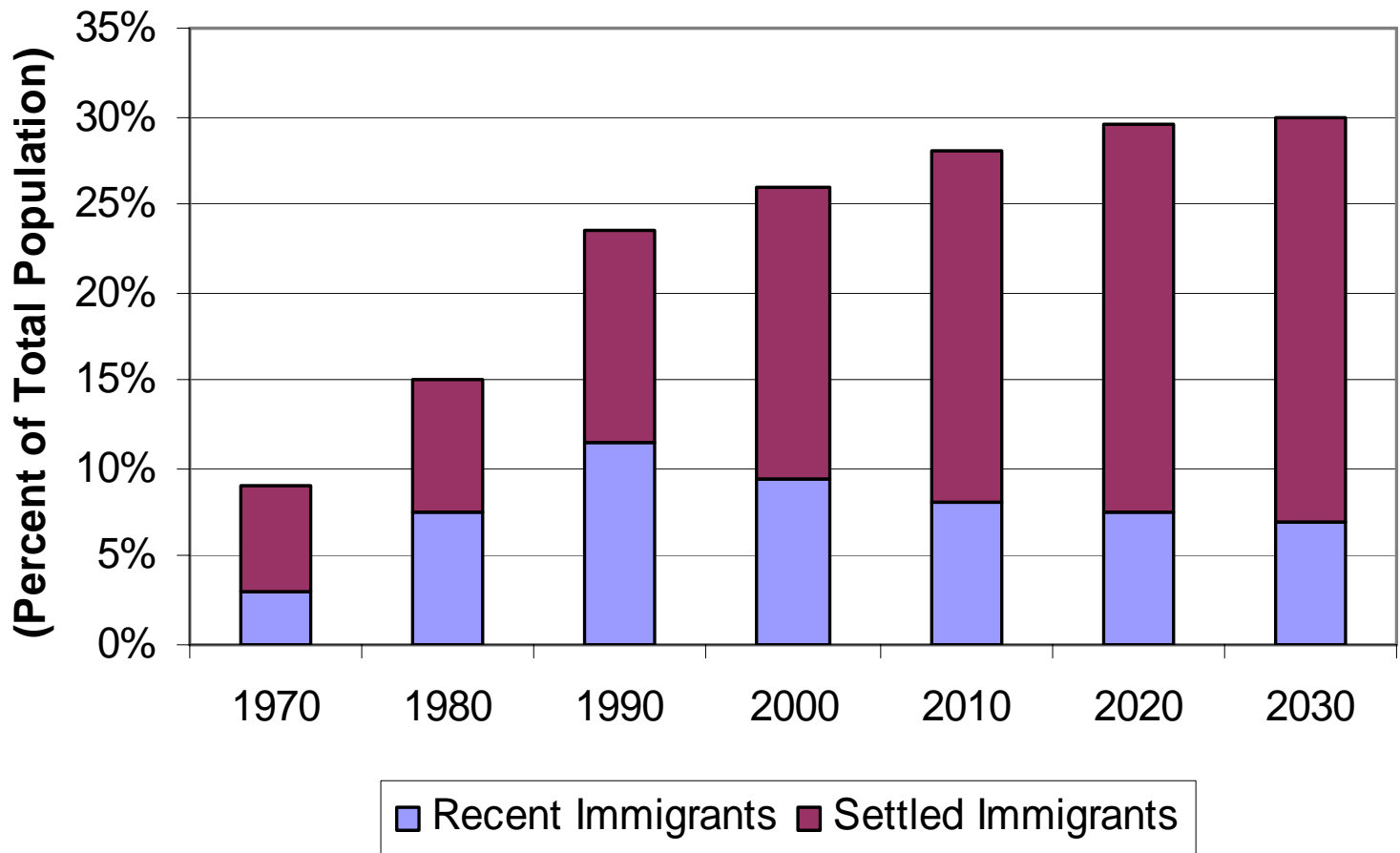
Distribution of Long-Term Fiscal Impact

- National Academy of Sciences study found a large positive fiscal impact at the federal level, which offset negative effects at the state and local level
- Within California fiscal impact will be most severe within jurisdictions with large numbers of relatively poor residents, whether immigrants or native-born

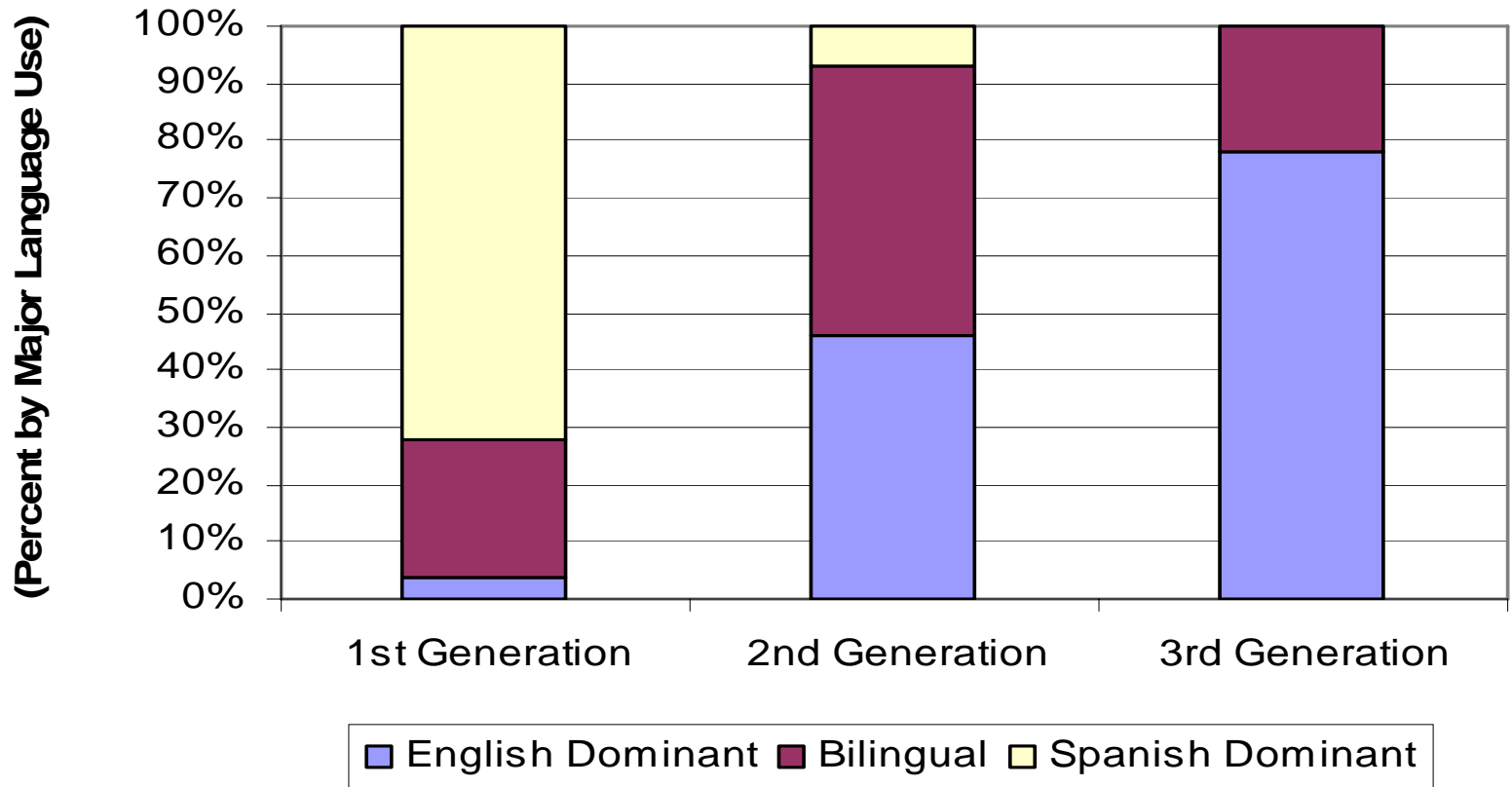
Immigration and the Future California Economy

- Changing characteristics of California's immigrants
- What happens to education, income and poverty as immigrants stay longer
- The key role of education in determining the impact of immigration on the economy over time

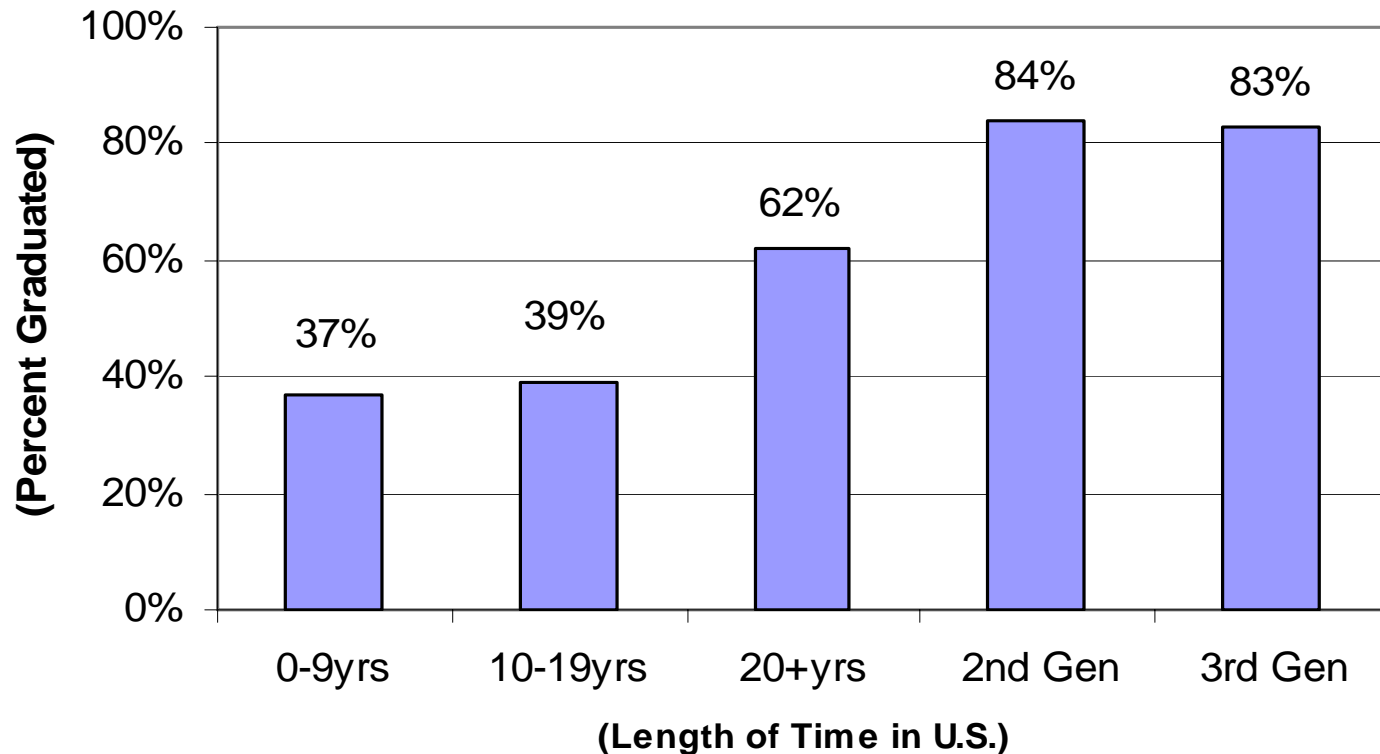
Recent Immigrants Will Decline as Share of CA Population



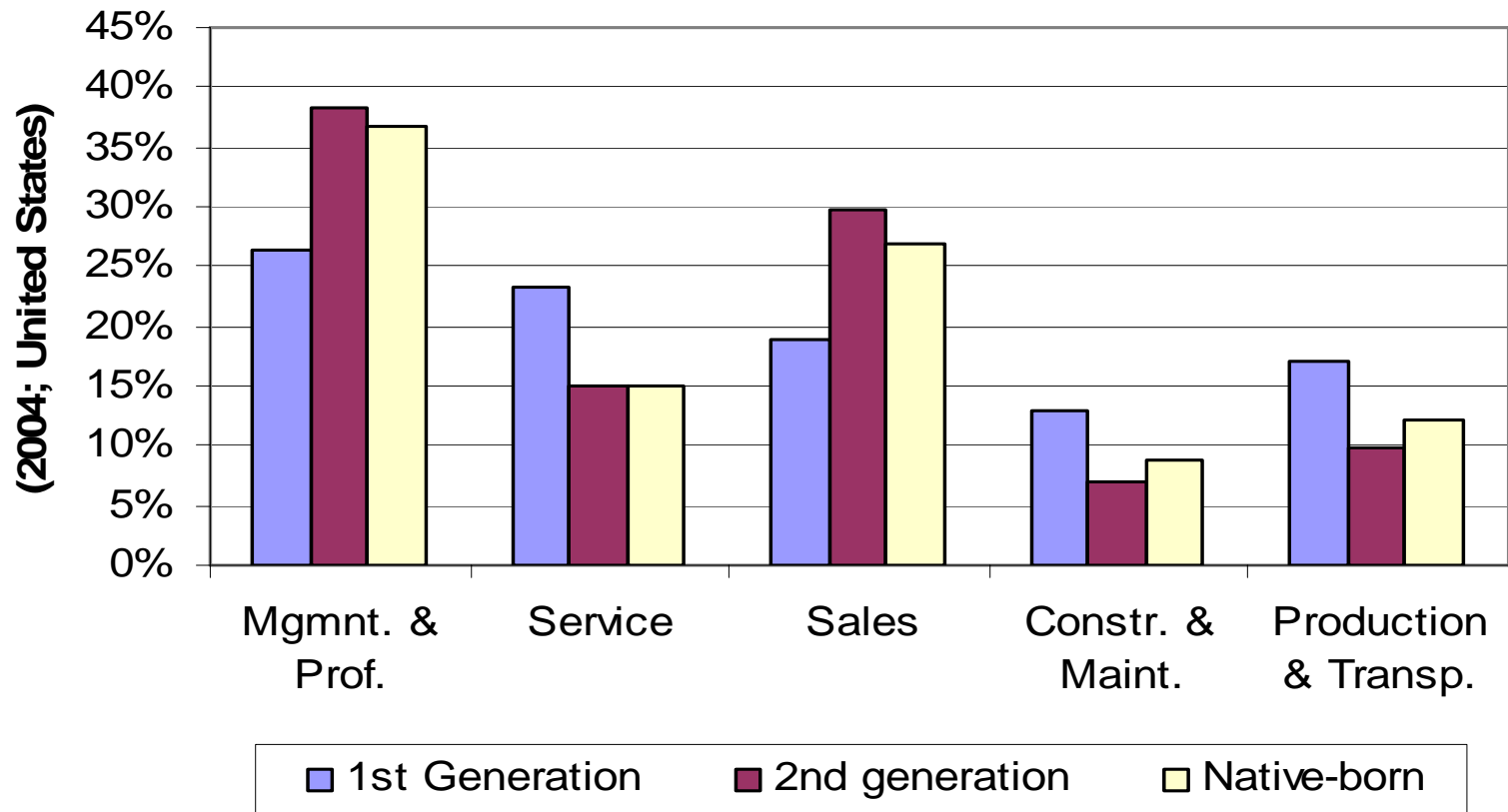
Children are English-Dominant or Bilingual



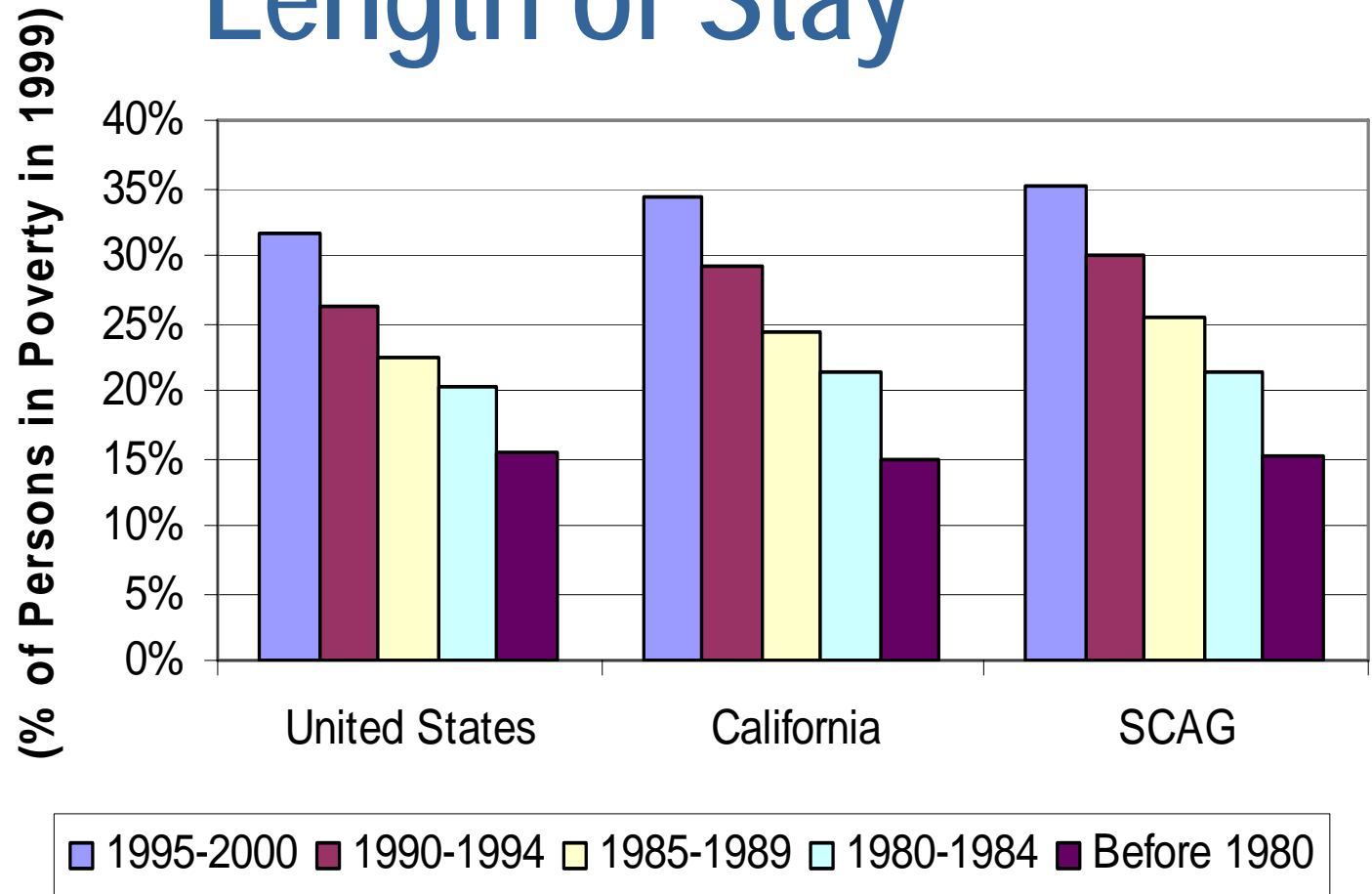
HS Graduation Rates Improve; More Improvement Possible



Occupational Profile Improves



Poverty Rate Falls with Length of Stay



What Will Success Mean; What Will Failure Bring?